TEACHERS' PENSION PLAN
ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS
FALL/WINTER 2009

Your 2010 pension increase is 0.5 per cent

The annual cost-of-living adjustment for 2010 is 0.5 per cent. The increase, which takes effect in January, will increase a typical $36,000 annual pension by $180.

Since 1976 — the year in which automatic indexing was introduced — the annual pension increase has averaged 4.4 per cent. Over the last decade, inflation has been historically low, resulting in modest increases.

The plan caps annual increases at eight per cent. However, in the past 10 years, the highest increase was 3.3 per cent (2004).

Annual increases at a glance

Last 10 Years	Inflation Adjustment (%)
2001	2.5
2002	3.0
2003	1.6
2004	3.3
2005	1.7
2006	2.2
2007	2.3
2008	1.8
2009	2.5
2010	0.5

So what happens if inflation falls below zero?

If we have a year of negative inflation, pensions would remain at their current levels and the percentage below zero would be carried forward to a year in which inflation is positive.

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Your 2010 pension increase is 0.5 per cent

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Details coming in January

If you're registered for *i*Access Web, the secure members-only website, you can see exactly how much your pension has increased as a result of the cost-of-living adjustment. We will post the latest increase on your personal web pages in late January.

If you're not registered for *i*Access, or if you have chosen to receive paper communications from us, details will appear on your January payment slip.

The chart on the right shows how the 2010 inflation adjustment will affect different pension amounts.

Annual Pension	Increase in 2010
$15,000	$75
$20,000	$100
$25,000	$125
$30,000	$150
$35,000	$175
$40,000	$200
$45,000	$225
$50,000	$250
$55,000	$275
$60,000	$300

Determining the annual adjustment

The inflation adjustment for Teachers' pensions is based on the Consumer Price Index (CPI). It represents the year-over-year percentage increase in the CPI.

We calculate the annual inflation adjustment by comparing the average CPI for the 12-month period ending in September with the previous 12-month average. This gives us a measure of inflation compared to the same time the previous year. We perform this calculation in October and apply the adjustment to your pension in January.

Breaking down the numbers

Here's how we calculate your annual pension increase:

$$\frac{114.2 \text{ (average CPI for 12-month period ending September 2009)}}{113.6 \text{ (average CPI for 12-month period ending September 2008)}} = 1.005 - 1 \times 100 = 0.5\%$$

- 1.005: Inflation factor
- 1 x 100: To express the factor as a percentage, we subtract 1 and then multiply by 100
- 0.5%: Inflation percentage

This method is also used by other major pension plans, including the two plans for Ontario government employees (Ontario Pension Board and OPTrust). However, different methods and time periods may apply for other plans, such as OMERS and CPP. For this reason, the annual inflation adjustment can vary among pension plans.

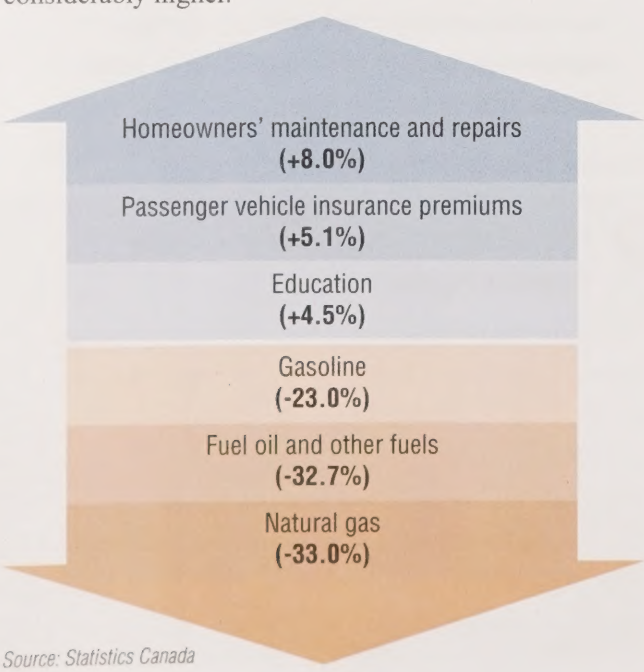
What is the Consumer Price Index (CPI)?

The CPI is how Statistics Canada measures inflation.

Inflation is defined as a persistent increase in the average price of goods and services; in other words, a rising trend in the cost of living. It reflects changes in the average price of a representative "basket" of goods and services that Canadians typically buy. There are eight major components to the CPI: food, shelter, housing, transportation, health and personal care, clothing, recreation, and alcohol and tobacco.

Contributors to the 12-month change in CPI

This year's inflation adjustment is low due to the decline of prices over the past year, primarily driven by a drop in fuel prices. According to Statistics Canada, energy has been the main component of the CPI that has kept inflation low. For example, the cost of gas was 23 per cent less in September 2009 than it was 12 months earlier. When you exclude energy from the basket of goods, annual inflation rates are considerably higher.



Source: Statistics Canada

No surprise

After a year of exceptional economic volatility, the modest increase comes as little surprise.

"We saw negative year-over-year inflation for four consecutive months, the first time that has happened since we introduced automatic indexing," said Ken Harrison, Director, Actuarial and Tax Services at Teachers'.

Deciphering what you hear in the media

Your increase can differ from the rate of inflation reported in the media. Sometimes it is higher, sometimes it is lower.

This is because the media compares the CPI for the current month to the same month a year earlier. Based on the terms of the plan, we compare the average monthly CPI for the 12-month period ending in September to the 12-month average a year earlier, effectively smoothing the increases from one year to the next. ■

DID YOU RETIRE IN 2009?

If you retired this year, your inflation adjustment will be prorated to the number of months after you stopped working.

For example, if you retired in June, your inflation adjustment will be 0.25 per cent, or half of 0.5 per cent, in 2010.

Split your pension income, lower your taxes

Taxes. They're unavoidable, even in retirement. That's why pension income splitting is a viable alternative for many pensioners who may want to reduce their family's taxes.

Greatest benefit for one-income families

Pension income splitting was launched by the federal government in 2007. If eligible, you can allocate up to half of your pension to your spouse or common-law partner when you complete your annual tax return.

It is particularly beneficial in cases where a spouse earns a much larger amount than his or her partner. Simply put, two retirement incomes that are similar pay less combined tax than if one spouse earns (and pays taxes on) a higher income.

For example, if your pension is $50,000 and your spouse or common-law partner has no income, you can allocate $14,000 to him or her. This would result in an approximate tax savings of $1,987. Finding the optimal amount to split may take some good old-fashioned number crunching, but the financial rewards can be beneficial for some pensioners.

Pension income splitting is a complex decision that is very reliant upon your personal financial situation. Therefore, we recommend that you consult a tax accountant to determine if pension income splitting could be beneficial for you. You can also visit the Canada Revenue Agency website at www.cra-arc.gc.ca for more details.

An important note to remember:
Government legislation does not allow us to deduct less tax from pensioners who intend to split their incomes.

3 Steps to Pension Income Splitting

1 See if you are qualified

Visit the Canada Revenue Agency website to see the specific requirements. Qualified applicants must:

- be in a married or common-law relationship;
- be a Canadian resident in the tax year in question (as does the beneficiary of the income splitting); and
- have received pension income that qualifies for Canada Revenue Agency's definition of pension income amount.

2 See what qualifies as eligible pension income

Eligible pension income is the total of the following amounts:

- the taxable part of life annuity payments from a superannuation or pension plan; and
- annuity and RRIF (including life income fund) payments and RRSP annuity payments, if they are received as a result of the death of a spouse or common-law partner, or if the pensioner is age 65 or older at the end of the year.

Income from OAS and CPP is not eligible.

3 Submit an application to the Canada Revenue Agency:

You and your partner must make a joint election on the tax form *Joint Election to Split Pension Income (Form T1032)*, and one of you must submit it with your 2009 income tax return to the Canada Revenue Agency. Only one joint election can be made in a tax year. In other words, if both you and your spouse have eligible pension income, only one of you can split your pension income. ■

You ASKED Us

Q. Can I increase the amount of income tax deducted from my pension? If so, how?

A. Yes. If you find yourself paying the government extra tax every April, we may not be deducting enough from your pension. Our deductions are based on government requirements and your personal information we have on file. We therefore deduct assuming you have no additional income, unless you indicate otherwise.

To make a change, just log onto *i*Access Web, the secure members-only website. Click on "Change my income tax deduction," located under *Pension Payments* in the *My Pension* tab, and type in a new deduction amount.

Q. Can I decrease the amount of income tax deducted from my pension? If so, how?

A. Yes, by claiming additional tax credits. If you are receiving a large refund from the government every year, we may be deducting too much tax. Claiming additional tax credits is one way to reduce the tax we deduct. Tax credits could apply if you become disabled, turn age 65, support certain dependents or go back to school.

Go to the *Taxes* section in the *My Pension* tab on *i*Access Web. Download the *Federal Personal Tax Credits Return* (Form TD1) and its provincial counterpart, the *Ontario Personal Tax Credits Return* (Form TD1ON). Fill them out and return them to us.

Q. What if I have already increased my tax deduction and I want to adjust it again?

A. If you have previously arranged to have more tax deducted from your pension but find that you need to subsequently decrease or increase this amount, you can go to the *My Pension* tab on *i*Access Web. Click on "Change my income tax deduction," located under *Pension Payments* and type in a new deduction amount.

Q. Can I get extra copies of my T4A?

A. Yes. There's no need to continue rifling through those papers, looking for your misplaced T4A. A duplicate T4A and other important tax documents can easily be found on *i*Access Web.

Look under *Tax Slips* in the *My Pension* tab and view or download the form(s) you want. ■

How to Register for *i*Access Web

1. Call 416-226-2700 or 1-800-668-0105 weekdays from 8 a.m. to 5:30 p.m. or
2. Download and complete a registration form, available at www.otpp.com

Holiday office hours

Client Services will be closed Dec. 25, Dec. 28 and Jan. 1.

The power of a power of attorney

Have you granted power of attorney status to someone you trust to handle your financial affairs? It's a critical step in the event that you cannot make decisions for yourself as the result of illness or injury. Having a power of attorney will ensure that your pension matters and finances will be looked after immediately.

Anne Slivinskas

"Many people make the mistake of assuming that their families have the legal right to make decisions on their behalf should something happen to them," said Anne Slivinskas, Senior Legal Counsel, Member Services at the Ontario Teachers' Pension Plan. "In fact, we cannot carry out requests by your spouse or family without a power of attorney, not even to update your mailing address."

While a power of attorney (POA) is not mandatory, it is a simple document you can complete now that can save your family needless stress, time and legal wrangling in the future.

Where to start?

Consider obtaining a *Power of Attorney Kit* from the provincial Ministry of the Attorney General website at www.attorneygeneral.jus.gov.on.ca, or call 1-800-366-0335 or 416-314-2800. You may want to consult with a lawyer for specific conditions and limitations in the granting of a POA.

A *Continuing power of attorney for property* allows the person you have named (referred to as the attorney) to handle your financial affairs, including pension-related issues. Your attorney will be able to do almost anything you can do concerning your pension: he or she can change your address, update your bank account, request a copy of your T4 and even apply for benefits, such as the Shortened Life Expectancy benefit.

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Please supply us with a copy of your POA as soon as it is executed. It is the only way we can ensure that we administer your finances in accordance with your wishes and best interests. Every POA is reviewed by our Legal Department as soon as it is received. "We take our fiduciary responsibilities very seriously. This review ensures we only take instruction from your chosen attorney," said Slivinskas.

Evidence of fraudulently-obtained POAs has increased in recent years, especially involving the elderly. "As Canadians, and especially teachers, live longer, the prospect that they will lose capacity before death is increasing. That is why we strongly recommend that you prepare a POA while you are healthy and understand your financial situation," cautioned Slivinskas.

In addition, your POA has the authority to log onto your *i*Access Web account. This is one more reason it's essential to select someone you trust and who has your best interests in mind — you are granting them significant power.

Not just one

Did you know you can name multiple people as your POA? If you indicate that you want them to have powers "jointly and severally," they can then act on your behalf both individually and as a group. You can also name a substitute should something happen to your primary attorney.

As soon as it is signed and witnessed by two people, the POA is effective immediately, unless you've stated otherwise in the document. A POA does not need to be notarized or registered with the government. ■

OTF and government to develop pension action plan

Pension security is an important issue. The Ontario Teachers' Federation (OTF) and the Ontario Government are charged with the task of deciding how to keep the Teachers' pension plan viable and affordable in the future.

The OTF and government, the plan co-sponsors, filed a funding valuation with the provincial pension regulator in September 2009. This funding valuation — basically a financial check-up — showed the pension plan had enough assets to cover the costs of future pension benefits as of Jan. 1, 2009.

But funding shortfalls have been problematic in the past, and they are projected to return in the future. That's because plan liabilities (the cost of future pensions) continue to grow faster than plan assets.

To address recurring funding shortfalls, the OTF and government, in co-operation with the Teachers' pension plan, have set up a working group. The group will develop a plan by mid-2010 to deal with the pension plan's recurring funding challenges.

To address a future funding shortfall, the OTF and government can increase contribution rates or change benefits working teachers will earn in future years. Pension benefits already earned by working and retired members cannot be reduced under Ontario's Pension Benefits Act.

For more information about funding issues, visit www.otpp.com/funding. ■

Pension benefits already earned by working and retired members cannot be reduced under Ontario's Pension Benefits Act.

News briefs

Pension pay dates

The end of the month isn't just for bills — it's also when we deposit your pension into your bank account. Here's a look at the pay dates for this month and 2010:

December	Thursday, December 31*
January	Friday, January 29
February	Friday, February 26
March	Wednesday, March 31
April	Friday, April 30
May	Monday, May 31
June	Wednesday, June 30
July	Friday, July 30
August	Tuesday, August 31
September	Thursday, September 30
October	Friday, October 29
November	Tuesday, November 30
December	Friday, December 31*

** banks may close early*

Remember — if you change accounts, keep your old account open until your pension has been deposited in your new account.

Pension News

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We appreciate your comments about anything you read in *Pension News*. Please contact Linda Keon at linda_keon@otpp.com.

Ce bulletin est disponible également en français.

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New board members appointed

Eileen Mercier, Chair of the Board, is pleased to announce the addition of David Smith and Rod Albert as new members.

David Smith

Mr. Smith is former Chair and Senior Partner at PricewaterhouseCoopers and former CEO of the Canadian Institute of Chartered Accountants. He is Chair of the Government of Canada's Audit Committee and Acting Chair of the federal Small Departments Audit Committee. A Chartered Accountant, Mr. Smith earned a B.Comm. (Honours) from the University of Windsor and is a graduate of the Institute of Corporate Directors.

Rod Albert

Mr. Albert, a retired English teacher, was a driving force in the establishment of Teachers' as an independent corporation in 1990, when he was president of the Ontario Teachers' Federation (OTF). In addition, he has served on the OTF Board of Governors, the OTF executive and was general secretary of the Ontario Secondary School Teachers' Federation. His appointment is effective Jan. 1, 2010.

Return undeliverable Canadian addresses to:
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